

Message Text

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C O N F I D E N T I A L TAIPEI 0199

E.O. 11652: GDS

TAGS: ENRG, TW

SUBJECT: VICE MINISTER OF FINANCE WANG SHAO-YU COMMENTS ON ENERGY
CRISIS

REF: TAIPEI 7438

1. SUMMARY: ACCORDING TO VICE-MINISTER OF FINANCE WANG SHAO-YU, GRC IS STILL ASSESSING IMPACT OF ENERGY CRISIS ON ROC ECONOMY. ECONOMIC GROWTH UNDOUBTEDLY WILL BE LOWER IN 1974 THAN IN PREVIOUS TEN YEARS. GRC SOON WILL ANNOUNCE PRICE INCREASES FOR PETROLEUM PRODUCTS AND ELECTRICITY. END SUMMARY.

2. GRC STILL HAS NOT ANNOUNCED MEASURES IT WILL TAKE TO DEAL WITH PROBLEMS CREATED BY HIGHER CRUDE PRICES AND REDUCED AVAILABILITIES. VICE-MINISTER OF FINANCE WANG SHAO-YU, WHO IS MEMBER OF INTERNMINISTERIAL TEAM ESTABLISHED TO FORMULATE RECOMMENDATIONS FOR CONSIDERATION BY EXECUTIVE YUAN, COMMENTED TO ECONCOUNS JANUARY 10 THAT TEAM IS HAVING DIFFICULTY ASSESSING LONG-RANG IMPACT OF CRISIS ON ROC ECONOMY. IF GRC KNEW PRECISELY AMOUNT OF CRUDE IT WILL BE ABLE TO GET OVER NEXT SEVERAL YEARS AND AT WHAT PRICE, IT WOULD BE RELATIVELY EASY TO DETERMINE IMPACT
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AND ADJUST SIXTH FOUR-YEAR ECONOMIC PLAN ACCORDINGLY.

TEAM ALSO PLAGUED BY PROBLEM OF ASSESSING EFFECTS OF CRUDE SHORTAGE ON EXPORTS. SINCE ROC DEPENDS SO HEAVILY ON CONSUMER-ORIENTED EXPORTS, A DOWNTURN IN ECONOMICS OF MAJOR TRADING PARTNERS (JAPAN, WESTERN EUROPE, US) COULD HAVE SERIOUS IMPACT ON ROC ECONOMY.

2. ASKED TO COMMENT ON THE RECENT SPATE OF ARTICLES IN THE LOCAL PRESS WHICH PAINT RATHER GLOOMY PICTURE OF ROC ECONOMY IN 1974, WANG SHAO-YU STATED GRC IS ALERTING PUBLIC TO FACT THAT PERIOD OF TREMENDOUS ANNUAL GROWTH IN ROC ECONOMY IS COMING TO AN END. FOR MORE THAN A DECADE, ECONOMY HAS BEEN GROWING AT ANNUAL REAL RATE OF APPROXIMATELY TEN PERCENT: IN 1973 FIGURE WAS 12.3 PERCENT. HIS ESTIMATE FOR 1974 IS BETWEEN SIX AND SEVEN PERCENT AND COULD BE LOWER IF ENERGY CRISIS DEEPENS. RESPONDING TO A COMMENT THAT A SIX PERCENT GROWTH RATE IS NOTHING TO BE DISMAYED ABOUT, WANG SHAO-YU STATED THAT PEOPLE HERE ARE SO ACCUSTOMED TO NOTHING BUT GOOD ECONOMIC NEWS, IT WILL BE HARD FOR THEM TO ADJUST TO NEWS THAT ROC IS ENTERING PERIOD OF MORE MODEST ECONOMIC GROWTH.

3. ECONCOUNS EXPRESSED SURPRISE THAT GRC HAS NOT HAD TO ANNOUNCE INCREASES IN PRICES OF PETROLEUM PRODUCTS AND ELECTRICITY AS RESULT OF INCREASED COSTS OF CRUDE. WANG SHAO-YU REPLIED THAT INCREASES WILL BE ANNOUNCED SHORTLY. HE COMMENTED THAT HE IS NOT AT LIBERTY TO REVEAL AMOUNT OF INCREASES SINCE PREMIER HAS NOT YET APPROVED THEM. THEY WILL NOT BE ACROSS-THE-BOARD, HOWEVER, SINCE LOW-INCOME FAMILIES WOULD BE THE HARDEST HIT. INSTEAD, THEY WILL BE BASED ON THE PRINCIPLE THAT THE MORE YOU USE, THE MORE YOU PAY.
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